

MONTGOMERY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

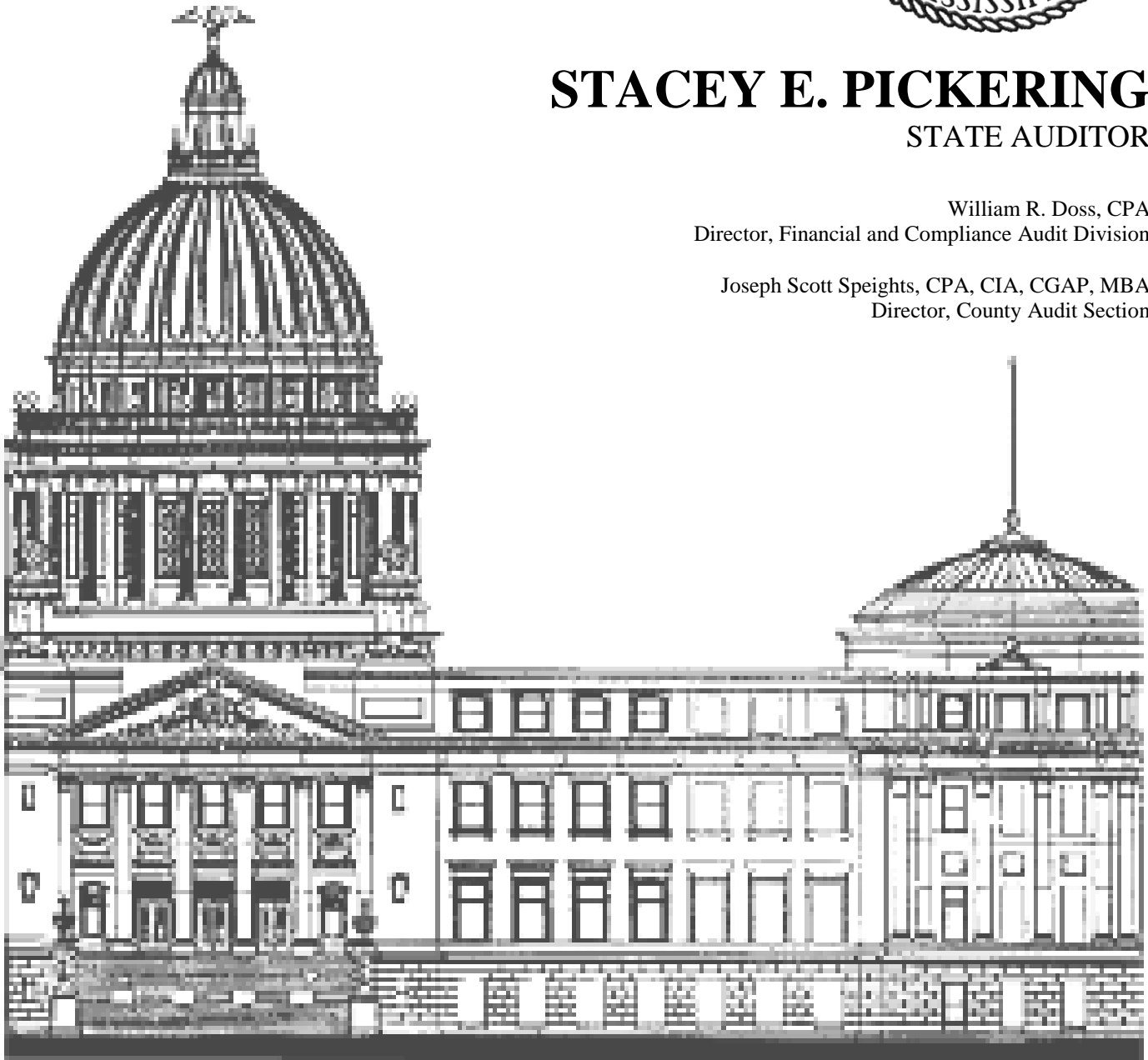


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

June 11, 2014

Members of the Board of Supervisors
Montgomery County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Montgomery County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Montgomery County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Montgomery County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL SECTION

MONTGOMERY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Montgomery County, Mississippi, as of September 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of September 30, 2013, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Montgomery County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion was not modified with respect to this matter.

Other Matters

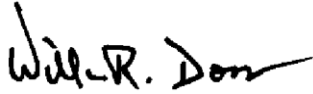
Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedules, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014, on our consideration of Montgomery County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 11, 2014

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Statement of Net Position - Cash Basis
September 30, 2013

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 3,589,817
Total Assets	<u>3,589,817</u>
NET POSITION	
Restricted:	
Expendable:	
General government	187,723
Public safety	123,722
Public works	1,576,350
Health and welfare	34,754
Economic development and assistance	8,748
Debt service	131,929
Unemployment compensation	13,333
Unrestricted	<u>1,513,258</u>
Total Net Position	<u>\$ 3,589,817</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY
Statement of Activities- Cash Basis
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,099,785	416,612	92,726		(1,590,447)
Public safety	1,073,008	127,646	81,506	16,800	(847,056)
Public works	2,424,171	287,090	1,004,081	84,552	(1,048,448)
Health and welfare	129,864		21,669		(108,195)
Culture and recreation	64,243		80,354		16,111
Education	149,440				(149,440)
Conservation of natural resources	79,953				(79,953)
Economic development and assistance	111,014		44,805		(66,209)
Debt service:					
Principal	194,220				(194,220)
Interest	31,312				(31,312)
Total Governmental Activities	<u>6,357,010</u>	<u>831,348</u>	<u>1,325,141</u>	<u>101,352</u>	<u>(4,099,169)</u>
General receipts:					
Property taxes					\$ 3,804,608
Road & bridge privilege taxes					127,885
Grants and contributions not restricted to specific programs					337,327
Unrestricted interest income					13,544
Miscellaneous					224,399
Proceeds from debt issuance					16,607
Sale of county property					<u>5,013</u>
Total General Receipts					<u>4,529,383</u>
Changes in Net Position					430,214
Net Position - Beginning					<u>3,159,603</u>
Net Position - Ending					<u>\$ 3,589,817</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2013

Exhibit 3

	<u>Major Funds</u>			
	<u>General</u>	<u>Unit System</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Road and Bridge</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Maintenance Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 1,425,130	1,426,433	738,254	3,589,817
Total Assets	<u>\$ 1,425,130</u>	<u>1,426,433</u>	<u>738,254</u>	<u>3,589,817</u>
FUND BALANCES				
Restricted for:				
General government	\$		187,723	187,723
Public safety			123,722	123,722
Public works		1,426,433	149,917	1,576,350
Health and welfare			34,754	34,754
Economic development and assistance			8,748	8,748
Debt service			131,929	131,929
Unemployment compensation			13,333	13,333
Committed to:				
Public works			42,821	42,821
Assigned to:				
Culture and recreation			45,307	45,307
Unassigned	<u>1,425,130</u>			<u>1,425,130</u>
Total Fund Balances	<u>\$ 1,425,130</u>	<u>1,426,433</u>	<u>738,254</u>	<u>3,589,817</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -

Governmental Funds

For the Year Ended September 30, 2013

	Major Funds		Other	Total
	General	Unit System	Governmental	Governmental
	Fund	Road and Bridge Maintenance Fund	Funds	Funds
RECEIPTS				
Property taxes	\$ 2,675,597	521,970	607,041	3,804,608
Road and bridge privilege taxes		127,885		127,885
Licenses, commissions and other receipts	143,751		4,548	148,299
Fines and forfeitures	212,106		7,846	219,952
Intergovernmental receipts	489,812	537,074	736,934	1,763,820
Charges for services			463,097	463,097
Interest income	13,544			13,544
Miscellaneous receipts	186,780	13,299	24,320	224,399
Total Receipts	3,721,590	1,200,228	1,843,786	6,765,604
DISBURSEMENTS				
General government	1,938,749		161,036	2,099,785
Public safety	741,932		331,076	1,073,008
Public works	11,572	1,203,513	1,209,086	2,424,171
Health and welfare	100,495		29,369	129,864
Culture and recreation			64,243	64,243
Education	149,440			149,440
Conservation of natural resources	79,953			79,953
Economic development and assistance	58,350		52,664	111,014
Debt service:				
Principal	26,110		168,110	194,220
Interest	3,110		28,202	31,312
Total Disbursements	3,109,711	1,203,513	2,043,786	6,357,010
Excess (Deficiency) of Receipts over Disbursements	611,879	(3,285)	(200,000)	408,594
OTHER CASH SOURCES (USES)				
Proceeds from long-term debt issuance			16,607	16,607
Sale of county property	5,013			5,013
Transfers in			349,984	349,984
Transfers out	(166,954)		(183,030)	(349,984)
Total Other Cash Sources and Uses	(161,941)	0	183,561	21,620
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	449,938	(3,285)	(16,439)	430,214
Cash Basis Fund Balances - Beginning of year	975,192	1,429,718	754,693	3,159,603
Cash Basis Fund Balances - Ending	\$ 1,425,130	1,426,433	738,254	3,589,817

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2013

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 21,952
Total Assets	\$ 21,952
LIABILITIES	
Intergovernmental payables	\$ 21,952
Total Liabilities	\$ 21,952

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Montgomery County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Montgomery County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Tyler Holmes Hospital
- East Montgomery County Hospital
- Montgomery County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Unit System Road and Bridge Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County’s highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the County’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Assistant Comptroller.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Change in Accounting Principle.

Prior to October 1, 2012, the County's financial statements were presented using the accrual basis of accounting. For the fiscal year ended September 30, 2013, the basic financial statements are prepared on a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$3,611,769, and the bank balance was \$3,978,152. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2013:

Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 166,954
Other Governmental Funds	Other Governmental Funds	183,030
Total		\$ 349,984

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(7) Joint Venture.

The County participates in the following joint venture:

Montgomery County is a participant with the City of Winona in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Winona-Montgomery County Airport Authority. The joint venture was created to construct, manage, control and operate the Winona-Montgomery County Airport and is governed by a five-member board of commissioners appointed as follows: Montgomery County, two; City of Winona, two; jointly, one. By contractual agreement, all costs of the airport shall be borne equally by both parties. The county paid \$11,572 for maintenance and support of the airport in fiscal year 2013. Financial statements for the Winona-Montgomery County Airport Authority were not available.

MONTGOMERY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Montgomery County Board of Supervisors appoints one of the eight members of the board of commissioners. The county contributed \$22,598 for support of the center in fiscal year 2013.

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Montgomery County Board of Supervisors appoints four of the 28 members of the district board of directors. The county contributed \$32,700 for the maintenance and support of the district in fiscal year 2013.

Holmes Community College operates in a district composed of the counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Montgomery County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county contributed \$126,599 for maintenance and support of the college in fiscal year 2013.

Mid-Mississippi Regional Library System operates in a district composed of the counties of Attala, Holmes, Leake, Montgomery and Winston. The Montgomery County Board of Supervisors appoints one of the five members of the library board of directors. The county contributed \$149,505 for maintenance and support of the library in fiscal year 2013.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Montgomery County Board of Supervisors appoints one of the nine members of the board of commissioners. The county did not contribute any funds to the authority in fiscal year 2013.

(9) Defined Benefit Pension Plan.

Plan Description. Montgomery County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$257,575, \$231,745 and \$209,288, respectively, equal to the required contributions for each year.

MONTGOMERY COUNTY

SUPPLEMENTAL INFORMATION

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

<u>Federal Grantor/ Pass-through Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture - Rural Housing Service Community facilities loans and grants (Direct Award)	10.766	N/A	\$ <u>16,800</u>
U.S. Department of Housing and Urban Development/Passed-through the Mississippi Development Authority			
Community development block grants/state's program and non-entitlement grants in Hawaii *	14.228	1127-10-049-PF-01	306,042
Community development block grants/state's program and non-entitlement grants in Hawaii *	14.228	1128-11-049-ED-01	<u>23,057</u>
Sub-total			<u>329,099</u>
Home investment partnerships program	14.239	1123-M 11-SG-280-208	<u>13,000</u>
Total U.S. Department of Housing and Urban Development			<u>342,099</u>
U.S. Department of Justice/Passed-through the Mississippi Department of Public Safety			
ARRA - Violence against women formula grants	16.588	09SP1493	3,633
ARRA - Violence against women formula grants	16.588	10SP1492	1,875
ARRA - Violence against women formula grants	16.588	11SP1491	47,031
ARRA - Violence against women formula grants	16.588	12SP1491	<u>22,946</u>
Total U.S. Department of Justice			<u>75,485</u>
U.S. Department of Transportation-Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 08 B (49)	<u>27,310</u>
U.S. Department of Transportation- National Highway Traffic Safety Administration/Passed-through the Mississippi Department of Public Safety			
Alcohol open container requirements	20.607	12-TA-149-1	1,529
Alcohol open container requirements	20.607	13-TA-149-1	<u>35,770</u>
Sub-total			<u>37,299</u>
Total U.S. Department of Transportation			<u>64,609</u>
Appalachian Regional Commission / Passed-through the Tennessee Valley Authority			
Appalachian research, technical assistance, and demonstration projects	23.011	6553	<u>2,741</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grant	97.042	13EMPG	<u>11,090</u>
Total Expenditures of Federal Awards			\$ <u><u>512,824</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal award program

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

OTHER INFORMATION

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 2,635,527	2,675,597	2,675,597	
Licenses, commissions and other receipts	106,141	143,751	143,751	
Fines and forfeitures	132,722	212,106	212,106	
Intergovernmental receipts	252,414	489,812	489,812	
Interest income	16,600	13,544	13,544	
Miscellaneous receipts	151,567	186,780	186,780	
Total Receipts	<u>3,294,971</u>	<u>3,721,590</u>	<u>3,721,590</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,098,824	1,938,749	1,938,749	
Public safety	825,224	741,932	741,932	
Public works	13,210	11,572	11,572	
Health and welfare	136,085	100,495	100,495	
Culture and recreation	21,754			
Education		149,440	149,440	
Conservation of natural resources	81,935	79,953	79,953	
Economic development and assistance	97,351	58,350	58,350	
Debt service:				
Principal		26,110	26,110	
Interest		3,110	3,110	
Total Disbursements	<u>3,274,383</u>	<u>3,109,711</u>	<u>3,109,711</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>20,588</u>	<u>611,879</u>	<u>611,879</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Other financing sources	330,181	5,013	5,013	
Other financing uses	(611,381)	(166,954)	(166,954)	
Total Other Cash Sources and Uses	<u>(281,200)</u>	<u>(161,941)</u>	<u>(161,941)</u>	<u>0</u>
Net Change in Fund Balance	(260,612)	449,938	449,938	
Fund Balances - Beginning	<u>1,128,000</u>	<u>974,206</u>	<u>975,192</u>	<u>986</u>
Fund Balances - Ending	<u>\$ 867,388</u>	<u>1,424,144</u>	<u>1,425,130</u>	<u>986</u>

The accompanying notes to the Other Information are an integral part of this statement.

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Unit System Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 499,178	521,970	521,970	
Road and bridge privilege taxes	106,000	127,885	127,885	
Intergovernmental receipts	496,000	537,074	537,074	
Miscellaneous receipts	6,500	13,299	13,299	
Total Receipts	<u>1,107,678</u>	<u>1,200,228</u>	<u>1,200,228</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>1,251,449</u>	<u>1,203,513</u>	<u>1,203,513</u>	
Total Disbursements	<u>1,251,449</u>	<u>1,203,513</u>	<u>1,203,513</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(143,771)</u>	<u>(3,285)</u>	<u>(3,285)</u>	<u>0</u>
Net Change in Fund Balance	(143,771)	(3,285)	(3,285)	
Fund Balances - Beginning	<u>1,350,000</u>	<u>1,429,718</u>	<u>1,429,718</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,206,229</u>	<u>1,426,433</u>	<u>1,426,433</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this statement.

MONTGOMERY COUNTY
Schedule of Interfund Loans and Advances
For the Year Ended September 30, 2013
UNAUDITED

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2013</u>
Unit System Road and Bridge Maintenance	General	\$ 2,080
Other Governmental Funds	General	<u>1,249</u>
Total		<u>\$ 3,329</u>

The receivables represent interest income that should be allocated from the General Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2013</u>
Unit System Road and Bridge Maintenance	General	\$ 7,898
Other Governmental Funds	General	5,936
Other Governmental Funds	Other Governmental Funds	<u>3,085</u>
Total		<u>\$ 16,919</u>

The advances represent interest income that should have been allocated from the General Fund in prior years.

MONTGOMERY COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2013
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments *	Balance Sept. 30, 2013
Land	\$ 212,123		150		211,973
Construction in progress	676,513	536,409		(913,497)	299,425
Infrastructure	6,463,495	25,532		913,497	7,402,524
Buildings	5,651,612				5,651,612
Mobile equipment	3,282,797	502,664	383,329		3,402,132
Furniture and equipment	599,798	21,894			621,692
Total capital assets	\$ <u>16,886,338</u>	<u>1,086,499</u>	<u>383,479</u>	<u>0</u>	<u>17,589,358</u>

* The adjustment column includes reclassification of completed construction projects transferred to infrastructure.

MONTGOMERY COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2013
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2012	Issued	Principal Payments	Balance Sept. 30, 2013
Governmental Activities:							
A. General Obligation Bonds:							
Coliseum stalls	03/2010	10/2022	4.25%	\$ 162,000		13,000	149,000
DHS Justice Court building	11/2008	03/2024	4.10%	355,000		24,000	331,000
B. Other Loans:							
MDA Cap Loan - Multi-purpose building	06/1999	07/2014	3.00%	38,555		20,716	17,839
MDA Cap Loan - Mental Health building	06/2003	05/2022	3.00%	62,409		5,394	57,015
Bridge construction loan	05/2009	05/2013	3.25%	71,323		71,323	
E-911 loan	08/2011	08/2016	1.99%	246,380		59,787	186,593
MDA Cap Loan - Screw Conveyor	06/2012	06/2032	3.00%		16,607	*	16,607
Total				\$ 935,667	16,607	194,220	758,054

* Montgomery County was approved for a MDA Cap Loan on June 12, 2012 for \$320,173. This loan is part of a financing package to do repairs and renovations to a county industrial building. At September 30, 2013, Montgomery County had drawn down \$16,607 of the available funds.

The accompanying notes to the Other Information are an integral part of this statement.

Montgomery County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Keith McGee	Supervisor District 1	Western Surety Company	\$100,000
Kenneth Ware	Supervisor District 2	The Ohio Casualty Insurance Company	\$100,000
Lindsey Roberts, Jr.	Supervisor District 3	Western Surety Company	\$100,000
James Ronald Wood, Jr.	Supervisor District 4	Western Surety Company	\$100,000
Nelson Forrest	Supervisor District 5	Western Surety Company	\$100,000
Talmadge "Tee" Golding	County Administrator	Western Surety Company	\$100,000
Talmadge "Tee" Golding	Chancery Clerk	The Ohio Casualty Insurance Company	\$100,000
Talmadge "Tee" Golding	Purchase Clerk	The Ohio Casualty Insurance Company	\$75,000
Terri L. Wilson	Receiving Clerk	Western Surety Company	\$75,000
Debbie Crenshaw	Assistant Receiving Clerk	State Automobile Mutual Insurance Company	\$50,000
Joy Wilkerson	Assistant Receiving Clerk	State Automobile Mutual Insurance Company	\$50,000
Talmadge "Tee" Golding	Inventory Control Clerk	State Automobile Mutual Insurance Company	\$75,000
Patsy Barton	Assistant Inventory Control Clerk	State Automobile Mutual Insurance Company	\$50,000
Chris Breazeale	Road Manager	State Automobile Mutual Insurance Company	\$50,000
L.C. Smith	Constable	Western Surety Company	\$50,000
Jerry Dale Bridges	Constable	Western Surety Company	\$50,000
Lanelle G. Martin	Circuit Clerk	Western Surety Company	\$100,000
Jerry C. "Bubba" Nix	Sheriff	Western Surety Company	\$100,000
Larry Edward Bamberg	Justice Court Judge	The Ohio Casualty Insurance Company	\$50,000
Keith S. Roberts	Justice Court Judge	Western Surety Company	\$50,000
Karen T. Carter	Justice Court Clerk	Western Surety Company	\$50,000
Florence C. Miers	Deputy Justice Court Clerk	State Automobile Mutual Insurance Company	\$50,000
Kellie Tate	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Velma Young	Tax Collector-Assessor	Western Surety Company	\$100,000
Sharon Pyron	Tax Collector Deputy	The Ohio Casualty Insurance Company	\$50,000
Mary Breanna Baily	Tax Collector Deputy	State Automobile Mutual Insurance Company	\$50,000
Monica S. Turner	Tax Collector Deputy	Old Republic Surety Company	\$50,000

MONTGOMERY COUNTY

Notes to the Other Information
For the Year Ended September 30, 2013
UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

(2) Long-term Debt information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the amount of outstanding debt was equal to 1.09% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2013, the County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
03/03/2014	3.00/4.00%	\$ 1,000,000	General Obligation Bonds	Ad Valorem Taxes

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SPECIAL REPORTS

MONTGOMERY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Montgomery County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 11, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001, 2013-002, 2013-003 and 2013-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

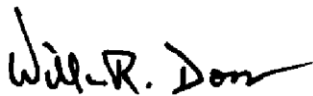
We noted certain matters that we reported to the management of Montgomery County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 11, 2014, included within this document.

Montgomery County's Responses to Findings

Montgomery County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Montgomery County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 11, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board of Supervisors
Montgomery County, Mississippi

Report on Compliance for Major Federal Program

We have audited Montgomery County, Mississippi's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2013. Montgomery County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Montgomery County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Montgomery County, Mississippi's compliance.

Opinion on Major Federal Program

In our opinion, Montgomery County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Montgomery County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montgomery County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 11, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Montgomery County, Mississippi

We have examined Montgomery County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Montgomery County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Montgomery County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

1. Capital asset deletions should be recorded in capital asset records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of deletions. Capital assets totaling \$357,780 which were traded-in were not deleted from the subsidiary records. Failure to record all capital asset transactions could result in the loss of capital assets.

Recommendation

The Inventory Control Clerk should record all deletions in the capital assets subsidiary records.

Inventory Control Clerk's Response


Just missed them; already corrected. Our Inventory Control Clerk has taken them off of our inventory.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Montgomery County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Montgomery County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Montgomery County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will-R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 11, 2014

MONTGOMERY COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

MONTGOMERY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

MONTGOMERY COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Our test results did not identify any purchases made noncompetitively from a sole source.

MONTGOMERY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

In planning and performing our audit of the financial statements of Montgomery County, Mississippi (the County) for the year ended September 30, 2013, we considered Montgomery County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Montgomery County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 11, 2014, on the financial statements of Montgomery County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations. Our findings, recommendations, and your responses are disclosed below:

Chancery Clerk.

1. Contract for preservation of records should specify duties to be performed.

Finding

Section 19-15-1, Miss. Code Ann. (1972), gives the County the authority to contract with the Chancery Clerk for preservation of records. The contract with the Chancery Clerk should specify the duties to be performed. As reported in the prior two years' audit reports, the County does not have a contract with the Chancery Clerk for the preservation of records. The Chancery Clerk was paid \$2,800 during the year for the restoration of records. Failure to document the specific duties to be performed for preservation of records in a contract could result in excess costs to the county.

Recommendation

If the County wants the Chancery Clerk to perform the duties of record preservation, the Board of Supervisors should enter into a contract with the Chancery Clerk which specifies the duties to be performed.

Chancery Clerk's Response

A contract has been entered into the 21st day of January, 2014 between Montgomery County and the Chancery Clerk.

2. Interest income should be recorded in the fund that earned the interest.

Finding

Section 19-9-29, Miss. Code Ann. (1972) states when such bonds or other obligations are sold or redeemed, the proceeds thereof, including accrued interest thereon, shall be paid into the same fund as that from which the investment was made and shall in all respects be dealt with as are other monies in such fund. Any interest derived from investment of other bond proceeds or from investment of any bond and interest fund, bond reserve fund or bond redemption sinking fund shall be deposited either in the same fund from which the investment was made or in the bond and interest fund established for payment of the principal or interest on the bonds. Any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. As reported in the prior two years' audit reports, the County did not record interest into the funds from which it was earned. Failure to properly record interest revenue resulted in an overstatement of revenues in the General Fund and an understatement of revenue in the other funds.

Recommendation

The Chancery Clerk should implement necessary procedures to ensure that interest income is recorded in the fund in which the interest is earned.

Chancery Clerk's Response

We will try and complete the best we can.

Montgomery County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 11, 2014

MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unmodified |
| | Unit System Road and Bridge Maintenance Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Identification of major programs: | |
| | CFDA #14.228, Community development block grants/state's program and non-entitlement grants in Hawaii | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. A written disaster recovery process should be established.

Finding

Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Montgomery County does not have a written disaster recovery process. Failure to maintain an adequate written recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up all data files and programs for all County offices and functions and securely storing them at an off-site location. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Recommendation

Montgomery County should develop and implement a written disaster recovery plan documenting procedures to be followed in backing up data files and the storage of these files as well as procedures to be followed during an emergency. All County officials and employees should be made aware of their responsibilities in carrying out these procedures regarding backup and storage of data files as well as their responsibilities in the event of a disaster. Once the plan is completed, it should be subjected to proper testing to ensure that the data file and program backup is actually working as designed and that all data files and programs are included in the backup and are being stored at an off-site location.

Board of Supervisors' Response

We are working with all people involved to assure everything is done and done right. The County has approved the backup through our software vendor for a 12 month agreement effective Feb. 19, 2014.

Chancery Clerk.

Material Weakness

2013-002. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions are not adequately segregated for effective internal control. One employee receipts cash, prepares deposit slips, posts to the detail general ledger, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Recommendation

Accounting functions involving receipting and disbursing of funds, recording of funds and reconciling of accounts should be properly segregated.

Chancery Clerk's Response

I have assisted my bookkeeper in performing some of these duties.

Circuit Clerk.

Material Weakness

2013-003. Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions in the Circuit Clerk's office are not adequately segregated for effective internal control. The Circuit Clerk receipts cash, posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

With only two (2) individuals in this office, it is impossible to completely segregate responsibilities; however, as much as possible, we try to do so. As much as possible, my deputy clerk receipts and deposits the funds coming into this office. When making a deposit, she prints a "Deposit Report" which lists, among other things, a receipt number, the payor of the funds received, and the amount of each payment. I then print a "Cash Journal" which lists, among other things, a receipt number, the payor of the funds received, the amount of each payment received, and breaks the funds down, i.e., clerk's fees, law library, copies, record search, etc. The "Report Total on the Deposit Report and the "Ending Balance" on the Cash Journal must be the same. My deputy clerk has limited access to our system and does not have access to the Cash Journal.

Tax Collector.

Material Weakness

2013-004. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior two year's audit reports, cash collection and disbursement functions in the Tax Collector's office are not adequately segregated for effective internal control. The Tax Collector receipts cash, prepares deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

MONTGOMERY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Recommendation

The Tax Collector should implement a system for review of the accounting records by another person.

Tax Collector's Response

Montgomery County is a small county; therefore there are not enough funds to hire more employees to give more duties. I will try to comply as best I can to get help with the accounting records.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.